

CITY OF ALAMEDA

Memorandum

To: Honorable Mayor and
Members of the City Council

Honorable Chair and
Members of the Community Improvement Commission

Honorable Chair and
Members of the Housing Authority Board of Commissioners

From: Lisa Goldman
Acting City Manager/Acting Executive Director/Acting Chief Executive Officer

Date: January 18, 2011

Re: Recommend 1) the City Council Find the Project Located at 2216 Lincoln Avenue to be Exempt from the California Environmental Quality Act (CEQA) Pursuant to California Public Resources Code Sections 21159.21, 21159.23 and 21159.24, as well as CEQA Guidelines Section 15332; 2) the City Council Approve the Summary Report Pursuant to Section 33433 of the California Community Redevelopment Law for an Owner Participation Agreement (OPA) between the CIC, Housing Authority, Satellite Housing and Housing Consortium of the East Bay (HCEB) and a Lease Option Agreement between the Housing Authority, Satellite Housing and HCEB; 3) the Community Improvement Commission (CIC) Approve the Summary Report Pursuant to Section 33433 of the California Community Redevelopment Law for an OPA between the CIC, Housing Authority, Satellite Housing and HCEB and a Lease Option Agreement between the Housing Authority, Satellite Housing and HCEB; 4) the CIC Authorize Conveyance by Quitclaim Deed of the Property Located at 2216 Lincoln Avenue for Construction of 19 Units of Affordable Rental Housing to the Housing Authority; 5) the Housing Authority Board of Commissioners (BOC) Accept the Property Located at 2216 Lincoln Avenue via a Quitclaim Deed from the CIC; 6) the BOC Approve a Lease Option Agreement and Authorize the Acting Chief Executive Officer to Execute a 75-Year Ground Lease Based on the Lease Option Agreement with Satellite Housing and HCEB and an OPA and other Related Documents between the Housing Authority, CIC, Satellite Housing and HCEB; 7) the CIC Approve an OPA and Authorize the Acting Executive Director to Execute an OPA and Other Related Documents with Satellite Housing, HCEB and the Housing Authority; 8) the CIC Approve an Appropriation of \$1.4 Million from the Business and Waterfront Improvement Project (BWIP) Affordable Housing Fund Balance to Housing Project Development Funds and Adopt a Resolution Approving the Use of Housing Funds to Pay a Portion of the Costs of Developing 19 Units of Housing Affordable to Adults with Developmental Disabilities at 2216 Lincoln Avenue

BACKGROUND

On June 16, 2010, the Housing Commission received a staff report discussing the proposed sale of the City-owned property located at 2216 Lincoln Avenue to the City of Alameda Community Improvement Commission (CIC) for development of an affordable housing project in partnership with the Housing Authority. Staff proposed a project for very low-income adults with developmental disabilities based on the size of the site, its location, and unmet need for affordable housing for this population. Alameda has several group homes for the developmentally disabled, but it does not have any service-enriched (service coordination, computer lab, community room, etc.) affordable rental housing serving this population. According to statistics provided by the Regional Center of the East Bay, a State-contracted agency that serves developmentally disabled, it has 754 consumers in the City. The City has the eighth largest number of consumers in the entire county. Other statistics show that for every person served by a Regional Center, one person is not.

At the June 16 meeting, the Housing Commission recommended that the Housing Authority Board of Commissioners (BOC) approve a quitclaim of the property from the CIC to the Housing Authority subsequent to the CIC's purchase. On July 27, 2010, the City Council approved the sale of the property, and the CIC approved the purchase of the property. The CIC purchased the property on September 24, 2010.

On September 15, 2010, the Housing Commission approved Satellite Housing and Housing Consortium of the East Bay (HCEB) as the non-profit development partner to construct and manage 19 units of housing affordable to very low-income adults with developmental disabilities at the site. On October 25, 2010, the Commission on Disability Issues received a presentation on the project, and Commission members were supportive of the project. In addition, Satellite Housing and HCEB hosted two community meetings in October and November, 2010, to gather feedback and answer questions about the proposed project.

Over the last three months, staff has been working with Satellite Housing and HCEB on securing planning entitlements, analyzing funding options, and negotiating the terms of an Owner Participation Agreement (OPA) and Lease Option Agreement. On December 14, 2010, the Housing Commission recommended that the BOC approve an OPA and Lease Option Agreement consistent with the terms outlined in this staff report. On January 10, 2011, the Planning Board found the project exempt from further review under the California Environmental Quality Act (CEQA) and approved a Variance and Major Design Review for the Project.

On November 22, 2010, the State Department of Housing and Community Development (HCD) issued a Notice of Funding Availability (NOFA) for \$80 million in funding for special needs housing through the State Multifamily Housing Program (MHP).

Applications for this funding will be accepted beginning February 15, 2010. For Satellite Housing and HCEB to be eligible for this funding, the City Council, CIC and BOC must take a series of actions to provide site control via a Lease Option Agreement and a local funding commitment pursuant to a CIC resolution committing \$1.4 million in CIC Housing Set-Aside Funds for the project. The required actions are outlined in this staff report.

DISCUSSION

To submit an application for MHP funding on February 15, 2011, as well as an application for the federal Housing and Urban Development Department (HUD) Section 811 program, the proposed primary source of funding for this project, the following actions, as memorialized in the attached resolutions, must occur:

1. City Council/CIC Approval of the Summary Report pursuant to Section 33433 of the California Redevelopment Law

California Redevelopment Law (CRL) requires that when tax increment funds are used to acquire property, a Section 33433 Report (Report) must be prepared that describes both the "fair reuse value" and the fair market value of the property at its highest and best use. Generally, the fair reuse value is less than the fair market value at the highest and best use because the redevelopment agency imposes specific development conditions, covenants and criteria that are more restrictive than what would be permitted under the highest and best use.

The CIC proposes to quitclaim the property to the Housing Authority for one dollar (\$1.00). The attached Report (Exhibit 1), prepared by Keyser Marston and Associates, concludes that the fair reuse value is nominal given the requirement that 18 of the 19 units have rents affordable to very low-income households for 59 years, and the imposition of service requirements necessary to meet the needs of adults with developmental disabilities.

CRL also requires that a notice be published once a week for two consecutive weeks informing the public of the date and time of the public hearing to consider the sale/lease of the property. The Report and supporting documents (OPA and Lease Option Agreement) must be available at the City Clerk's Office during that time. Notice was published in the *Alameda Journal* on December 31, 2010, and January 7, 2011. The legislative body is required to approve the disposition of the property pursuant to the Report.

2. Transfer of 2216 Lincoln Avenue from the CIC to the Housing Authority

On the basis of the Report, the CIC proposes to transfer the property to the Housing Authority for \$1.00. Pursuant to Section 26-2 of Article XXVI of the City Charter, the Housing Authority is authorized to replace existing low-cost housing units with new affordable multi-family housing. Therefore, Housing Authority ownership of the land is required to develop this project. Following BOC acceptance of the quitclaim, the Housing Authority will enter into a Lease Option Agreement with Satellite Housing and HCEB. The Lease Option Agreement (Exhibit 2) is sufficient evidence of site control for purposes of applying for MHP and Section 811 funding.

3. Lease Option Agreement between the Housing Authority, Satellite Housing and HCEB

The Lease Option Agreement's key terms include:

- a. Developer will pay the Housing Authority \$100 for the lease option.
- b. The lease option will expire on December 31, 2011, but can be renewed for an additional six-month period.
- c. Developer can exercise its option at any time during the option period with a 30-day notice to the Housing Authority.
- d. The lease will have a 75-year term and a one-time lease payment of \$100 will be paid by Developer to the Housing Authority when the lease is executed.
- e. The lease will include any provisions required by HUD in connection with an award of HUD 811 financing.

4. Approval of the OPA between the CIC, Housing Authority, Satellite Housing and HCEB

The OPA, on file in the City Clerk's office and distributed to the City Council under separate cover, is the agreement between the CIC, Housing Authority and Satellite Housing/HCEB, referenced below as Developer, which contains the rights and obligations of each party for development of the project.

The OPA's key terms include:

- a. Developer's obligation to secure all required funding commitments within 36 months of the effective date of the OPA.

- b. Developer's obligation to commence construction no later than July 31, 2014.
- c. Developer's obligation to diligently pursue and apply for all City development approvals.
- d. Developer's obligation to construct the project in accordance with approved plans and schedule, subject to securing all necessary financing.
- e. CIC's/Housing Authority's obligation to enter into a Voluntary Clean Up Agreement with the State Department of Toxic Substances Control for the remediation of the lead-contaminated soil. The cost of cleaning up the contaminated soil is a project cost.
- f. CIC's obligation to loan Developer \$1.4 million toward the overall project cost of \$6.9 million. The CIC's loan will be deferred for 59 years and will bear interest at 3%.
- g. Developer's obligation to enter into a 59-year covenant to ensure the on-going affordability of the units for very-low income adults with developmental disabilities.
- h. Housing Authority's obligation to provide up to 19 Project-Based Section 8 Vouchers in the event that developer is unable to secure HUD Section 811 financing.
- i. CIC's/Housing Authority's obligation to work in good faith with Developer to receive planning approvals, secure project financing, and ensure construction commencement.
- j. The HUD 811 program is only available to non-profit developers. In the event that HUD changes its guidelines, the OPA provides the opportunity to modify the ownership and/or partnership structure to provide a role for the Housing Authority, if requested.

5. \$1.4 Million CIC Funding Commitment

Satellite Housing and HCEB estimate that the total development cost is \$6.9 million. Over 75% of the total project cost will come from State and Federal sources. The CIC's contribution is 20% of the total project cost, or \$73,684 per unit. The per unit local funding contribution is consistent with the CIC's/City's previous commitments to the Breakers at Bayport and Shinsei Gardens Apartments. The CIC's \$1.4 million contribution to project development will be a loan that is deferred for 59 years (the term

of the affordability restrictions) and accrues 3% annual interest. The promissory note will be unsecured until the 75-year land lease is executed within the next 18-20 months.

Funds are available in the BWIP Affordable Housing fund balance. Twenty percent of tax increment funds received by redevelopment agencies must be spent on maintaining, improving and expanding the supply of affordable housing; these "set-aside" funds are restricted to those uses. Approval of a resolution approving the use of BWIP Affordable Housing funds for development of the project at 2216 Lincoln Avenue is sufficient documentation of a local funding commitment for purposes of submitting applications for MHP and Section 811 funding.

Conclusion

Work on this project began in July 2010, when the City Council agreed to sell the 21,000 square foot site at 2216 Lincoln Avenue to the CIC to develop, in partnership with the Housing Authority, 19 units of housing affordable to very low-income adults with developmental disabilities. By undertaking the actions recommended in this staff report, the City Council, CIC and BOC will ensure that Satellite Housing and HCEB are able to submit applications for MHP and Section 811 funding and continue progress on this important project for very low-income adults with developmental disabilities.

FINANCIAL IMPACT

Funds in the amount of \$1.4 million are available in the CIC's BWIP Affordable Housing fund balance (Fund 204) for development of 2216 Lincoln Avenue. It is requested that \$1.4 million be appropriated from the BWIP Affordable Housing fund balance (Fund 204) to BWIP Housing Project Development (204-7064-61060). There is no fiscal impact on the City's General Fund.

ENVIRONMENTAL REVIEW

Pursuant to the California Environmental Quality Act (CEQA), the City, as the lead agency has undertaken the required analysis of the environmental impacts of this project and based on its independent judgment and based on substantial evidence in the record, the City finds the project to be exempt from CEQA pursuant to California Public Resources Code sections 21159.21, 21159.23 (Exemption for affordable housing) and 21159.24 (Exemption for infill affordable housing), as well as CEQA Guidelines section 15332 (infill development projects). Furthermore, the project does not trigger any of the exceptions in CEQA Guidelines section 15300.2 in that the project will not have any significant effects due to unusual circumstances or any cumulatively significant impacts and will not adversely impact any designated historic resources.

RECOMMENDATION

It is recommended that the City Council:

1. Find the Project located at 2216 Lincoln Avenue to be exempt from CEQA pursuant to California Public Resources Code Sections 21159.21, 21159.23 and 21159.24, as well as CEQA Guidelines Section 15332.
2. Approve the Summary Report pursuant to Section 33433 of the CRL for an OPA between the CIC, Housing Authority, Satellite Housing and HCEB and a Lease Option Agreement between the Housing Authority, Satellite Housing and HCEB.

It is recommended that the Community Improvement Commission:

1. Approve the Summary Report Pursuant to Section 33433 of the CRL for an OPA between the CIC, Housing Authority, Satellite Housing and HCEB and a Lease Option Agreement between the Housing Authority, Satellite Housing and HCEB.
2. Authorize conveyance by quitclaim deed of the property located at 2216 Lincoln Avenue for construction of 19 Units of affordable rental housing to the Housing Authority.

It is recommended that the Housing Authority Board of Commissioners:

1. Accept the property located at 2216 Lincoln Avenue via a quitclaim deed from the CIC.
2. Approve a Lease Option Agreement and authorize the Acting Chief Executive Officer to execute a 75-year ground lease based on the Lease Option Agreement with Satellite Housing and HCEB and an OPA and other related documents between the Housing Authority, CIC, Satellite Housing and HCEB.

It is recommended that the Community Improvement Commission:

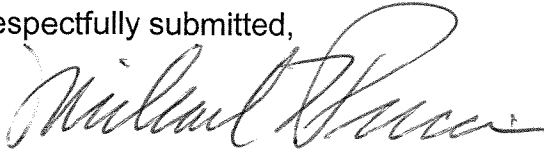
1. Approve an OPA and authorize the Acting Executive Director to execute an OPA and other related documents with Satellite Housing, HCEB and the Housing Authority.
2. Approve an appropriation of \$1.4 Million from the BWIP Affordable Housing Fund Balance to Housing Project Development Funds.

Honorable Mayor and Members of the City Council
Honorable Chair and Members of the CIC
Honorable Chair and Members of the HABOC

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3. Adopt a Resolution approving the use of Housing Funds to pay a portion of the costs of developing 19 units of housing affordable to adults with developmental disabilities at 2216 Lincoln Avenue.

Respectfully submitted,



Michael T. Pucci
Executive Director

By:



Debbie Potter
Housing Development and Programs Manager

Approved as to funds and account,



Fred Marsh
Controller

MTP:dp

Exhibits:

1. Summary Report Pursuant to Section 33433 of the California Community Redevelopment Law on an Owner Participation Agreement between the Community Improvement Commission of the City of Alameda, the Housing Authority of the City of Alameda, and Satellite Housing/Housing Consortium of the East Bay and a Lease Option Agreement by and between the Housing Authority of the City of Alameda and Satellite Housing/HCEB
2. Lease Option Agreement

**SUMMARY REPORT PURSUANT TO
SECTION 33433
OF THE
CALIFORNIA COMMUNITY REDEVELOPMENT LAW
ON AN OWNER PARTICIPATION AGREEMENT BETWEEN THE COMMUNITY
IMPROVEMENT COMMISSION OF THE CITY OF ALAMEDA (CIC), THE HOUSING
AUTHORITY OF THE CITY OF ALAMEDA AND SATELLITE HOUSING/HOUSING
CONSORTIUM OF THE EAST Bay (HCEB) AND A
LEASE OPTION AGREEMENT BY AND BETWEEN
THE HOUSING AUTHORITY OF THE CITY OF ALAMEDA AND SATELLITE
HOUSING/HCEB**

I. INTRODUCTION

The California Health and Safety Code, Section 33433, requires that if a redevelopment agency wishes to sell or lease property to which it holds title and if that property was acquired in whole or in part with property tax increment funds, the agency must first secure approval of the proposed sale or lease agreement from its local legislative body after a public hearing. A copy of the proposed sale or lease agreement and a summary report that describes and contains specific financing elements of the proposed transaction will be available for public inspection prior to the public hearing. As contained in the Code, the following information will be included in the summary report:

1. The cost of the agreement to the redevelopment agency, including land acquisition costs, clearance costs, relocation costs, the costs of any improvements to be provided by the agency, plus the expected interest on any loans or bonds to finance the agreement;
2. The estimated value of the interest to be conveyed, determined at the highest and best use permitted under the redevelopment plan;
3. The estimated value of the interest to be conveyed in accordance with the uses, covenants, and development costs required under the proposed agreement with the Agency, i.e., the reuse value of the site;
4. An explanation of why the sale of the site will assist in the elimination of blight, as required by Section 33433; and
5. If the sale price is less than the fair market value of the interest to be conveyed, determined at the highest and best use consistent with the redevelopment plan, then the agency will provide as part of the summary an explanation of the reasons for the difference.

This report outlines the salient parts of the proposed Owner Participation Agreement and Lease Option Agreement ("Agreements"). The Owner Participation Agreement will be between the Community Improvement Commission of the City of Alameda ("CIC"), the Housing Authority of the City of Alameda ("Housing Authority") and Satellite Housing/Housing consortium of the East Bay (HCEB). The Lease Option Agreement will be between the Housing Authority and the development team of HCEB and Satellite Housing. The two Agreements will be executed to enable the subject development site to be developed with an affordable residential apartment building providing 19 units for persons with developmental disabilities ("Project"). In addition, CIC will provide a cash loan to the Project in the amount of \$1,400,000 to assist in funding the development of the Project.

This report is based upon information in the proposed Agreements and is organized into the following six sections:

1. **Summary of the Proposed Agreements** – This section includes a description of the site, the proposed development and the major responsibilities of the CIC and the Housing Authority.
2. **Cost of the Agreements to the CIC** – This section outlines the cost of the Agreements to the CIC.
3. **Estimated Value of the Interest to be Conveyed** – This section summarizes the value of the interests to be conveyed by the CIC to the Housing Authority.
4. **Consideration Received and Reasons Therefore** – This section describes the consideration to be paid by the Housing Authority to the CIC. It also contains a comparison of the consideration and the site's fair market value and the site's fair reuse value.
5. **Elimination of Blight / Conformance with Five-Year Implementation Plan** – This section addresses the conformance of the Agreements with the CIC's Five-Year Implementation Plan.
6. **Provision of low- and moderate-income housing** – This section describes how the sale of the site to the Housing Authority will provide housing for low- and very low-income persons.

II. SUMMARY OF THE PROPOSED AGREEMENTS

A. Description of the Site and Project

Site

The address of the subject site is 2216 Lincoln Avenue. It is a small, in-fill site located approximately three blocks from Park Street just west of the Civic Center. The site is 20,991 square feet, and is located in an R-6 zone (residential) and has a Medium Density Residential General Plan designation. For 33 years, the site was owned by the City of Alameda and had been used as a parking lot for City staff. With construction of a downtown parking garage, City staff parking was relocated, making the site available for an alternative use. On September 24, 2010 the City sold the property to the CIC for the purposes of developing an affordable housing project on the site in partnership with the Housing Authority. The site is not located within a redevelopment project area.

Developer

HCEB and Satellite Housing are co-developers.

Project

The proposed Project will consist of 19 residential units, with 18 units affordable to low- and very low-income households. The remaining unit will be for the on-site manager. The project will serve persons with developmental disabilities and includes supportive services.

The Developer intends to finance the \$6.9 million Project with a combination of funds from the Section 811 Program of the US Department of Housing and Urban Development, a MHP Loan, a cash contribution from the CIC and an AHP loan. The anticipated composition of permanent financing is as follows:

HUD 811 capital advance	\$2.8 million	40%
MHP loan	\$2.1 million	31%
AHP loan	\$0.2 million	3%
CIC loan	\$1.4 million	20%
Value of Belo Market Lease	\$0.4 million	6%
Total Development Cost	\$6.9 million	100%

The HUD 811 program provides interest-free capital advances to private, non-profit sponsors to finance the development of supportive housing for the disabled; the capital advance does not need to be repaid as long as the project serves low- and very-low income persons for 40 years. In addition, HUD 811 provides a project rental assistance contract (PRAC) for the operation of the development.

The apartment units will consist primarily of one-bedroom units, with some two-bedroom units, including one manager's unit. The terms of the Agreement require that all units are affordable to very-low income households for at least 59 years. While the property will be restricted to low- and very low -income households, the PRAC enables the Project to serve tenants with incomes significantly less than 50% of the Area Median Income adjusted for household size.

The HUD 811 financing and MHP financing may impose restrictions in addition to the affordability covenants required by the CIC.

B. CIC Responsibilities

Under the terms of the Agreements, the following are the key responsibilities of the CIC:

1. The CIC will sell the site to the Housing Authority at a price of \$1.00. The sale will be conditioned upon the Housing Authority executing the lease option agreement with the Developer for the purpose of developing the proposed affordable housing project.
2. Record covenants on the title of the property that limits occupancy of 100% of the units (excluding the Manager's unit) to low- and very low-income households and the rents to amounts affordable to low- and very low-income households consistent with Health and Safety Code Section 50053. The covenants shall apply for 59 years.
3. CIC will provide a loan in the amount of \$1,400,000 to the Project to assist with the construction of the Project. The loan shall be due and payable at the conclusion of the term of affordability deed restrictions (59 years). The loan amount shall accrue simple interest at 3% per annum. The loan may be funded with funds from the CIC's Low and Moderate Income Housing Fund, HOME funds, or other City of Alameda housing funds.
4. CIC will assist the Developer in obtaining all remaining entitlements and other approvals.

C. Housing Authority Responsibilities

Under the terms of the Agreements, the following are the key responsibilities of the Housing Authority:

1. The Housing Authority will accept and maintain ownership of the Site for the duration of the ground lease.
2. After conveyance of the Site, the Housing Authority will enter into a lease option agreement with the Developer and, ultimately, a 75-year ground lease for the purpose of development the proposed Project. The ground rent to be paid to the Housing Authority by the Developer will be a one-time \$100 payment at the closing of the lease.

D. Developer Responsibilities

Under the terms of the Owner Participation Agreement, the following are the key responsibilities of the Developer:

1. The Developer will secure all construction and permanent financing necessary for development of the Project.
2. The Developer will be responsible for the preparation of all plans necessary for development of the Project and obtaining all remaining approvals and building permits.
3. Subject to satisfaction of all preconditions, the Developer and the Housing Authority will execute a ground lease agreement whereas the Developer will lease the Site from the Housing Authority for 75 years. Consideration for the site will be in the form of a one-time payment of \$100.00 to the Housing Authority upon the execution of the lease.
4. The Developer will develop the Project within the times set forth in the Agreement.
5. The Developer will lease 100% of the units (excluding the Manager's unit) to qualified low- and very low-income tenants, rent the units at rents that do not exceed the amounts affordable to low- and very low-income tenants in accordance with Health and Safety Code Section 50053, and maintain and operate the Project pursuant to the requirements set forth in the Agreement and by the other funding sources for the Project.
6. Construction of the Project will be subject to payment of prevailing wages as required by all applicable federal and state laws.
7. The Developer will borrow up to \$1.40 million from the CIC. The loan will be due and payable upon the expiration of the affordability covenants (59 years). The loan shall carry 3% simple interest.

III. COST OF THE AGREEMENTS TO THE CIC

A. Cost of the Agreements to CIC

This section presents the total cost of the Agreement to the CIC.

- Acquisition Costs – The CIC acquired the Site from the City of Alameda for \$735,000 using available cash.
- Pre-Development Expenses – The CIC has funded various predevelopment activities associated with the Project, including an appraisal, environmental Phase I and Phase II reports, geotechnical reports, and a boundary survey. In total, CIC has spent \$60,000 on predevelopment activities.
- Project Loans – The CIC will provide the Project with a loan of \$1,400,000 to be used for construction and permanent financing. The loan may be funded from a variety of sources, including City housing funds, HOME funds, and/or CIC Low and Moderate Income Housing Fund. For purposes of this report, it is assumed that the loan is funded from the CIC's Business and Waterfront Improvement Project's (BWIP) Low and Moderate Income Housing Fund.

The following table summarizes the CIC's estimated costs related to the Agreement:

	<i>Total Cost</i>
<u>Property Acquisition Costs</u>	
2216 Lincoln Avenue	\$735,000
Escrow/Closing/Legal	<u>\$0,000</u>
Total Acquisition	\$735,000
Predevelopment Expenses	\$60,000
Construction/Permanent Loan	\$1,400,000
Total Gross CIC Costs	\$2,195,000

B. Revenues to CIC

The CIC will be providing the Developer \$1,400,000 of cash assistance that is being structured as a deferred loan. The loan term shall be 59 years and the loan shall be due and payable upon the completion of the loan term. Simple interest shall apply at the rate of 3% per year. Including accrued interest, the amount due and payable upon the termination of the loan will total approximate \$3.9 million. Assuming that inflation averages 3% over the period, it is estimated that the current value of the repayment to be received in 59 years is approximately \$678,000.

C. Net Costs to the CIC

The net cost to the CIC associated with the transaction is estimated at \$1,517,000, which is the difference between the CIC's gross cost of \$2,195,000 and the estimated current value of the loan repayment (\$678,000).

IV. VALUE OF THE INTEREST TO BE CONVEYED

Fair Reuse Value

The reuse value of the Site is directly a function of the development economics specific to the proposed Project. Based on the affordability restrictions imposed by the Agreement as well as the expected HUD 811 and MHP financing, all but the resident manager unit will be deed-restricted with rents capped at amounts affordable to households earning no more than 60% of Area Median Income (AMI). These affordability restrictions will remain in place for not less than 59 years.

KMA evaluated the development economics of the Project. Given the rent restrictions, the units are anticipated to have an average monthly rental rate of \$442. The restricted rental income stream combined with the cost of providing supportive services results in an annual operating deficit of approximately \$100,000, which will be covered by the HUD 811 PRAC. Given the projected operating deficit, the Project's economics do not support any private investment to cover the Project's development costs. As noted in Section II of this report, the Project's development costs are being funded entirely through public subsidy funds.

Given the terms and conditions in the Agreements, including the affordability restrictions, requirements to provide services, the projected net operating deficit, and reliance on public subsidy sources for capital costs, it is KMA's opinion that the fair reuse value of the Site is nominal.

Value at Highest and Best Use

The Agency purchased the Site in July 2010 from the City for a price of \$735,000, which reflected the average value of two appraisals prepared for the property.

V. CONSIDERATION RECEIVED AND REASONS THEREFORE

Under the terms of the Agreement, the Agency will convey the Site to the Housing Authority for \$1. The Housing Authority will then ground-lease the Site to the Developer for a on-time payment of \$100. These payments are consistent with the site's nominal reuse value as further addressed in Section IV. The affordability restrictions and service requirements significantly reduce the income-generating capacity of the property relative to what would be possible from an unrestricted use.

VI. ELIMINATION OF BLIGHT / CONFORMANCE WITH FIVE-YEAR IMPLEMENTATION PLAN

While the Project is not located within one of CIC's Redevelopment Project Areas, the City of Alameda has passed a resolution stating that affordable housing development outside of the Project Area will benefit the Project Area, thereby allowing tax increment set-aside proceeds to be used to fund the Project.

The expansion and improvement of the community's supply of low- and moderate-income housing is identified as a goal in the Alameda Redevelopment Project Areas' 2010-2014 Five-Year Implementation Plan. The Plan also identifies the subject site as an affordable housing site to be assisted by the CIC.

CIC has determined that the Site is ideal for an affordable apartment development for persons with developmental disabilities. The Project will help eliminate blight through construction of a high-quality residential development and the Project is consistent with the goals stated in the Five-Year Plan.

VII. PROVISION OF LOW- OR MODERATE-INCOME HOUSING

The Project is proposed to consist of 18 affordable apartment units. Occupancy will be restricted to low- and very low-income households and rents will be restricted to be affordable to low- and very low-income households. The affordability restrictions will be recorded on the property's title and will be effective for 59 years. The Project will therefore provide 18 new low- and very low-income units to the City of Alameda.

LEASE OPTION AGREEMENT

This Lease Option Agreement is made as of _____, 2011, by and among the Housing Authority of the City of Alameda, a public body, corporate and politic ("**Owner**"), and Housing Consortium of the East Bay, a California nonprofit public benefit corporation, ("**HCEB**"), and Satellite Housing, Inc., a California nonprofit public benefit corporation ("**Satellite Housing**"). HCEB and Satellite Housing shall be referred to jointly herein as the "**Optionee**".

1. Grant of Option. Owner grants to Optionee an option ("**Option**") to lease that certain real property located in the City of Alameda, County of Alameda, State of California, commonly known as 2216 Lincoln Avenue, described more particularly on Exhibit A attached hereto and incorporated herein by this reference (the "**Property**"), on the terms and conditions set forth in this Lease Option Agreement. The lease price of the Property shall be One Hundred Dollars (\$100), which shall be paid in cash at the Closing, as such term is defined below, on the terms and conditions set forth in this Lease Option Agreement.
2. Option Consideration. Concurrently with the execution of this Lease Option Agreement, Optionee has paid to Owner the sum of One Hundred Dollars (\$100) as consideration for the Option.
3. Term of Option. The Option shall commence on the date of this Lease Option Agreement and shall expire at 5 p.m. Pacific Time on November 30, 2011 (the "**Original Term**").
4. Renewal of Option. The Original Term shall automatically be renewed for an additional six-month period from the expiration date of the Original Term as provided herein upon written notice from the Optionee to the Owner within thirty (30) days of the expiration date of the Original Term. The Original Term, as extended by this Section 4 shall be referred to as the "**Extended Term**").

5. Manner of Exercising the Option. At any time prior to the expiration of the Original Term, or if applicable, the Extended Term, Optionee may exercise the Option by giving written notice to Owner of its exercise of the Option, specifying a date, time and place for the close of escrow (the "**Closing**") at least thirty (30) days after the date of such notice. Optionee's written notice to Owner of Optionee's exercise of the Option shall be referred to in this Lease Option Agreement as the "**Option Notice**". The Closing shall consist of execution of a lease (the "**Lease**") between the parties which contains, among other things, the terms and provisions described in Section 6 below, and recordation against the Property of a Memorandum of Lease in the Official Records of Alameda County.

6. Lease Terms. The Lease shall be substantially in accordance with the following:

A. Term. The term of the Lease shall be not less than seventy-five (75) years from the date of execution, with such additional terms and conditions to be mutually agreed upon by the parties and set forth in the Lease.

B. Payment. Optionee shall be obligated to make a one-time, special payment to Owner in the amount of One Hundred Dollars (\$100) at Closing.

C. HUD Requirements. The Lease shall include such provisions as United States Department of Housing and Urban Development ("**HUD**") may require in connection with the Section 811 Capital Advance program.

D. Subordination. The Optionee shall consent to, any necessary subordination agreements required to secure construction and permanent financing for development of the Property as provided herein, including but not limited to, the HUD Section 811 Capital Advance documents.

7. Representations and Warranties.

A. Title. Owner represents that it is the owner of the Property and has title to the Property free of restrictions, leases, liens, and other encumbrances except those set forth in that certain preliminary report attached hereto as Exhibit B and incorporated herein by this reference.

B. Property. There are no representations or warranties, express or implied, between the parties. Optionee agrees that the leasehold interest in the Property is to be acquired and

accepted by Optionee in the then existing condition of the Property, "as is" with all faults and defects.

C. Owner agrees that during the Original Term, or if applicable, the Extended Term, and until the leasehold interest in the Property is acquired by Optionee in the event the Option is exercised, Owner will not encumber the Property in any way nor grant any property or contract right relating to the Property without the prior written consent of Optionee.

8. Right of Entry on Property. During the Original Term, or if applicable, the Extended Term, Optionee and its designated agents and independent contractors shall have the right to enter on the Property to the extent necessary for the purpose of conducting due diligence, including certain tests and engineering studies. Optionee agrees to repair any damage it or its agents or independent contractors shall cause to the Property, keep the property free and clear of any liens, and indemnify and hold Owner harmless from any and all costs, expenses, losses, costs, attorneys' fees and liabilities (including, but not limited to, claims of mechanics' liens) incurred or sustained by Owner as a result of any acts of Optionee, its agents, or independent contractors pursuant to the right granted by this Section.

9. Owner's Cooperation in Seeking Permits and Approvals.

A. Permits and Approvals. Owner agrees to cooperate and, if applicable, to join in any applications that may be required to obtain approval of the development plan proposed by Optionee by any municipal or other agency having jurisdiction. Optionee shall pay all expenses associated with the approval process. Optionee agrees to hold Owner harmless from any costs and expenses arising in connection with gaining approval of the Optionee's development plan and all other related project approvals.

B. Funding Sources. Owner acknowledges that Optionee desires to use the Property to construct a low income housing development and to receive funding from HUD under Section 811 of the National Affordable Housing Act of 1990, as amended. Owner agrees to reasonably modify this Lease Option Agreement and to execute and modify documents to the extent reasonably necessary to satisfy the requirements of HUD regarding the terms of the Lease and financing of the development of the Property.

10. URA Provision. Because federal funding will be present in connection with the acquisition of the leasehold interest in the Property and the construction of the contemplated Section 811 project on the Property, as required by the Uniform Relocation Assistance and Real Property Acquisition Policies Act of 1970, as amended ("URA"), Optionee and Owner acknowledge and agree that (A) Optionee does not have the power of eminent domain and, therefore, will not acquire the Property or a leasehold interest therein if negotiations fail to result in an amicable and voluntary agreement, and (B) Optionee and Owner agree that the estimated fair market value of the Property is greater than the lease price, as described in Section 1 hereof.

11. Time of Essence; Failure to Exercise Option. Time is of the essence of this Lease Option Agreement. If the Option is not exercised in the manner provided in Section 5 above before the expiration of the Original Term, or if applicable, the Extended Term, Optionee shall have no interest whatever in the Property, the Option may not be revived by any subsequent payment or further action by Optionee and Optionee agrees to deliver to Owner all soil tests, engineering and marketing studies, and the like respecting the Property in Optionee's possession or under Optionee's control.

12. Termination of Option. If this Lease Option Agreement is terminated, Optionee agrees, if requested by Owner, to execute, acknowledge, and deliver a quitclaim deed to Owner within seven (7) days after request and to execute, acknowledge, and deliver any other documents required by any title company to remove any cloud on title caused by this Lease Option Agreement, the Option, or Optionee.

13. Notices. All notices, demands, requests, and exercises under this Lease Option Agreement by either party shall be hand-delivered or sent by United States mail, registered or certified, postage prepaid, addressed to the other party as follows:

Owner: Housing Authority of the City of Alameda
 701 Atlantic Avenue
 Alameda, CA 94501
 Attn: Executive Director

Optionee: Housing Consortium of the East Bay.
1736 Franklin Street, 6th Floor
Oakland, CA 94612
Attn: Executive Director

and

Satellite Housing, Inc.
1521 University Avenue
Berkeley, CA 94703
Attn: Executive Director

All notices, demands, requests, and exercises served in the above manner shall be considered sufficiently given or serviced for all purposes under this option at the time the notice, demand, or request is hand-delivered or postmarked to the addresses shown above.

14. Assignment of Option. Without the prior written consent of Owner, Optionee may assign its rights and obligations under this Lease Option Agreement to an entity which is controlled by Satellite Housing, and which is formed for the express purpose of developing and operating a housing development for low-income disabled persons on the Property in accordance with the requirements of HUD. All other transfers or assignments by Optionee shall require the prior written consent of Owner.

15. Counterparts. This Lease Option Agreement may be executed in multiple counterpart copies, any one of which when duly executed with all of the formalities hereof, shall be fully binding and effective as the original of this Lease Option Agreement.

[Remainder of page intentional blank; signatures follow.]

EXECUTED on the day and year written at the beginning of this Lease Option Agreement.

OWNER:

HOUSING AUTHORITY OF THE CITY OF
ALAMEDA, a public body, corporate and politic

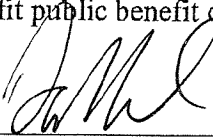
Approved as to form

By: _____
Michael T. Pucci
Executive Director

By: _____
Farimah Faiz
Assistant General Counsel

OPTIONEE:

HOUSING CONSORTIUM OF
THE EAST BAY, a California
nonprofit public benefit corporation

By:  _____
Darin Lounds
Executive Director

SATELLITE HOUSING, INC., a California
nonprofit public benefit corporation

By: _____
Ryan Chao
Executive Director

EXECUTED on the day and year written at the beginning of this Lease Option Agreement.

OWNER:

HOUSING AUTHORITY OF THE CITY OF
ALAMEDA, a public body, corporate and politic

Approved as to form

By:

Michael T. Pucci
Executive Director

By:

Farimah Faiz
Assistant General Counsel

OPTIONEE:

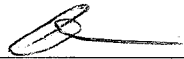
HOUSING CONSORTIUM OF
THE EAST BAY, a California
nonprofit public benefit corporation

By:

Darin Lounds
Executive Director

SATELLITE HOUSING, INC., a California
nonprofit public benefit corporation

By:



Ryan Chao
Executive Director

EXHIBIT A
Legal Description
(Attached)

LEGAL DESCRIPTION

Real property in the City of Alameda , County of Alameda, State of California, described as follows:

ALL OF LOTS 14 AND 15, AND THE WESTERN ONE FOOT (1') OF LOT 13, ALL IN BLOCK 34, AS SHOWN ON THE "MAP OF LANDS ADJACENT TO THE TOWN OF ENCINAL, ALAMEDA COUNTY, CAL.", FILED MAY 28, 1867 IN BOOK 19 OF MAPS AT PAGE 53, IN THE OFFICE OF THE ALAMEDA COUNTY RECORDER.

EXCEPTING THEREFROM, THE NORTHERN TEN FEET (10') THEREOF, TAKEN FOR THE WIDENING OF LINCOLN AVENUE TO 80 FEET.

APN: 071-0219-022

EXHIBIT B

Preliminary Report

(Attached)

Approved as to Form

City Attorney

CITY OF ALAMEDA RESOLUTION NO. _____

APPROVING (1) THE DISPOSITION OF CERTAIN PROPERTY OWNED BY THE COMMUNITY IMPROVEMENT COMMISSION OF THE CITY OF ALAMEDA ("CIC") AT NOT LESS THAN ITS FAIR REUSE VALUE IN CONNECTION WITH DEVELOPMENT OF AN AFFORDABLE RENTAL HOUSING PROJECT ON THE SITE, AND (2) MAKING CERTAIN FINDINGS WITH RESPECT TO THE DISPOSITION OF SUCH PROPERTY

WHEREAS, the CIC is engaged in activities necessary to carry out and implement the Community Improvement Plan for the Business and Waterfront Improvement Project (the "BWIP"); and

WHEREAS, the CIC has adopted the five-year Implementation Plan covering Fiscal Years 2009/10-2013/14 for the BWIP (the "Implementation Plan"); and

WHEREAS, among other things, the Implementation Plan provides for the implementation of certain activities necessary or appropriate to carry out the objectives of the Community Improvement Plan in accordance with Community Redevelopment Law of the State of California (Health and Safety Code Section 33000 *et seq.*) ("CRL"); and

WHEREAS, the CIC owns certain real property within the City of Alameda, commonly known as 2216 Lincoln Avenue (the "Site"), which is outside the BWIP; and

WHEREAS, the Implementation Plan identified specific affordable housing projects to be developed over the next five (5) years, including development of a 19-unit multifamily affordable rental housing on the Site; and

WHEREAS, CIC staff has negotiated an Owner Participation Agreement ("OPA") with the Housing Authority, Satellite Housing, and HCEB, wherein Satellite Housing and HCEB (jointly, "Affordable Housing Developer") has agreed to develop, construct and operate a 19-unit multifamily affordable rental housing (the "Project") on the Site, comprised of eighteen (18) units for very-low income residents and one (1) unit for a moderate income, resident manager; and

WHEREAS, the OPA contemplates the CIC's disposition of the Site to the Housing Authority by quitclaim deed (the "Quitclaim Deed") and the Housing Authority entering into a long-term ground lease with Affordable Housing Developer for development and operation of the Project on the Site pursuant to a lease option agreement (the "Lease Option Agreement"); and

WHEREAS, pursuant to California Environmental Quality Act (CEQA), the City, as the lead agency has undertaken the required analysis of the environmental impacts of this project and based on its independent judgment and based on substantial evidence in the record, finds the project to be exempt from CEQA pursuant to California Public Resources Code Sections 21159.21, 21159.23 (exemption for affordable housing) and 21159.24 (Exemption for infill affordable housing), as well as CEQA Guidelines Section 15332 (infill development projects). Furthermore, the project does not trigger any of the exceptions in CEQA Guidelines section 15300.2 in that the project will not have any significant effects due to unusual circumstances or any cumulatively significant impacts and will not adversely impact any designated historic resources; and

WHEREAS, pursuant to CRL section 33433, a summary report pertaining to the conveyance of the Site dated December 2010 ("Summary Report") was prepared, which is attached to the staff report for this action, and is incorporated fully into this Resolution by this reference; and

WHEREAS, the CIC has made copies of the OPA (including the Quitclaim Deed referenced therein), Lease Option Agreement, and the Summary Report available for public inspection and copying no later than the time of the first publication of the notice of the public hearing; and

WHEREAS, the Summary Report contains a summary which describes and specifies all of the following:

- (i) the costs to be incurred by the CIC under the OPA;
- (ii) the estimated value of the interest to be conveyed, determined at the highest and best use permitted under the Implementation Plan;

(iii) the estimated value of the interest to be conveyed in accordance with the uses, covenants, and development costs required by the OPA;

(iv) an explanation of why the sale of the Site will assist in the elimination of blight, with reference to all supporting facts and materials relied upon in making this explanation;

(vi) an explanation of the difference between the compensation to be paid to the CIC by the Housing Authority and the fair market value of the Site at the highest and best use consistent with the Implementation Plan; and

WHEREAS, in accordance with CRL section 33433, on January 18th, 2011, the CIC, the City Council, and the Housing Authority Board of Commissioners held a joint public hearing to consider the approval of the OPA (including the Quitclaim Deed referenced therein), the Lease Option Agreement, and related documents, after publishing notice of the public hearing in accordance with CRL section 33433; and

WHEREAS, the City Council believes the OPA and the Quitclaim Deed are in the best interests of the BWIP, the City of Alameda and the health, safety, morals and welfare of its residents, and in accord with the public purposes and provisions of applicable state and local law and requirements; and

WHEREAS, the City Council has considered any written evidence and/or testimony received in support of or in opposition to the OPA (including the Quitclaim Deed referenced therein), the Lease Option Agreement, and the Summary Report, as well as the entire record prepared by the CIC and City staff.

NOW, THEREFORE BE IT RESOLVED, by the City Council, as follows:

1. That the City Council hereby finds and determines that all recitals set forth in this Resolution are true and correct and fully incorporated herein by this reference.

2. That the City Council has reviewed and approves the Summary Report.

3. That the City Council finds and determines that the consideration to be received by the CIC for the sale of the Site is not less than fair reuse value at the use and with the covenants and conditions and development costs authorized by the OPA and the Lease Option Agreement, among other reasons, the reasons set forth in Sections III through V of the Summary Report.

4. That the City Council finds and determines that the sale of the Site will assist in the elimination of blight or provide housing for low-income or moderate-income persons, for, among other reasons, the reasons set forth in Section VI of the Summary Report.

5. That the City Council finds and determines that the sale of the Site and the development of the Site in accordance with the OPA, the Quitclaim Deed, and Lease Option Agreement, are consistent with the Implementation Plan.

6. That the City Council hereby approves the sale of the Site to the Housing Authority in accordance with the OPA and the Quitclaim Deed referenced therein.

* * * * *

I, the undersigned, hereby certify that the foregoing Resolution was duly and regularly adopted and passed by the Council of the City of Alameda in a Special Joint Meeting of the Community Improvement Commission, the Housing Authority Board of Commissioners and the Council of the City of Alameda assembled on the 18th day of January, 2011, by the following vote to wit:

AYES:

NOES:


ABSENT:

ABSTENTIONS:

IN WITNESS, WHEREOF, I have hereunto set my hand and affixed the official seal of said City this 19th day of January, 2011.

Lara Weisiger, City Clerk
City of Alameda

COMMUNITY IMPROVEMENT COMMISSION
OF THE CITY OF ALAMEDA RESOLUTION NO. 11-_____

Approved as to Form

General Counsel

APPROVING (1) AN OWNER PARTICIPATION AGREEMENT ("OPA") FOR DEVELOPMENT OF AFFORDABLE RENTAL HOUSING, AND (2) THE DISPOSITION OF CERTAIN PROPERTY OWNED BY THE COMMUNITY IMPROVEMENT COMMISSION OF THE CITY OF ALAMEDA ("CIC") AT NOT LESS THAN ITS FAIR REUSE VALUE IN CONNECTION WITH DEVELOPMENT OF AN AFFORDABLE RENTAL HOUSING PROJECT ON THE SITE, (3) MAKING CERTAIN FINDINGS WITH RESPECT TO THE DISPOSITION OF SUCH PROPERTY, AND (4) AUTHORIZING THE ACTING EXECUTIVE DIRECTOR TO EXECUTE THE OPA AND A QUITCLAIM DEED TO CONVEY SUCH PROPERTY TO THE HOUSING AUTHORITY OF THE CITY OF ALAMEDA ("HOUSING AUTHORITY")

WHEREAS, the CIC is engaged in activities necessary to carry out and implement the Community Improvement Plan for the Business and Waterfront Improvement Project (the "BWIP"); and

WHEREAS, the CIC has adopted the five-year Implementation Plan covering Fiscal Years 2009/10-2013/14 for the BWIP (the "Implementation Plan"); and

WHEREAS, among other things, the Implementation Plan provides for the implementation of certain activities necessary or appropriate to carry out the objectives of the Community Improvement Plan in accordance with Community Redevelopment Law of the State of California (Health and Safety Code Section 33000 *et seq.*) ("CRL"); and

WHEREAS, the CIC owns certain real property within the City of Alameda, commonly known as 2216 Lincoln Avenue (the "Site"), which is outside the BWIP; and

WHEREAS, the Implementation Plan identified specific affordable housing projects to be developed over the next five (5) years, including development of a 19-unit multifamily affordable rental housing on the Site; and

WHEREAS, CIC staff has negotiated an Owner Participation Agreement ("OPA") with the Housing Authority, Satellite Housing, Inc. ("Satellite Housing"), and Housing Consortium of the East Bay ("HCEB"), wherein Satellite Housing and HCEB (jointly, "Affordable Housing Developer") has agreed to develop, construct and operate a 19-unit multifamily affordable rental housing (the "Project") on the Site, comprised of eighteen (18) units for very-low income residents and one (1) unit for a moderate income, resident manager; and

WHEREAS, the OPA contemplates the CIC's disposition of the Site to the Housing Authority by quitclaim deed (the "Quitclaim Deed") and the Housing Authority entering into a ground lease with Affordable Housing Developer to facilitate development and operation of the Project on the Site; and

WHEREAS, pursuant to California Environmental Quality Act (CEQA), the City, as the lead agency has undertaken the required analysis of the environmental impacts of this project and based on its independent judgment and based on substantial evidence in the record, finds the project to be exempt from CEQA pursuant to California Public Resources Code Sections 21159.21, 21159.23 (exemption for affordable housing) and 21159.24 (exemption for infill affordable housing), as well as CEQA Guidelines section 15332 (infill development projects). Furthermore, the project does not trigger any of the exceptions in CEQA Guidelines section 15300.2 in that the project will not have any significant effects due to unusual circumstances or any cumulatively significant impacts and will not adversely impact any designated historic resources; and

WHEREAS, pursuant to CRL section 33433, a summary report pertaining to the conveyance of the Site dated December 2010 ("Summary Report") was prepared, which is attached to the CIC staff report for this action, and is incorporated fully into this Resolution by this reference; and

WHEREAS, the CIC has made copies of the OPA, (including the Quitclaim Deed referenced therein), a lease option agreement (the "Lease Option Agreement"), and the Summary Report available for public inspection and copying no later than the time of the first publication of the notice of the public hearing; and

WHEREAS, the Summary Report contains a summary which describes and specifies all of the following:

- (i) the costs to be incurred by the CIC under the OPA;
- (ii) the estimated value of the interest to be conveyed, determined at the highest and best use permitted under the Implementation Plan;
- (iii) the estimated value of the interest to be conveyed in accordance with the uses, covenants, and development costs required by the OPA;
- (iv) an explanation of why the sale of the Site will assist in the elimination of blight, with reference to all supporting facts and materials relied upon in making this explanation;

(vi) an explanation of the difference between the compensation to be paid to the CIC by the Housing Authority and the fair market value of the Site at the highest and best use consistent with the Implementation Plan; and

WHEREAS, in accordance with CRL section 33433, on January 18, 2011, the CIC, the City Council, and the Housing Authority Board of Commissioners held a joint public hearing to consider the approval of the OPA, (including the Quitclaim Deed referenced therein), the Lease Option Agreement, and related documents, after publishing notice of the public hearing in accordance with CRL section 33433; and

WHEREAS, the CIC believes the OPA and the Quitclaim Deed are in the best interests of the BWIP, the City of Alameda and the health, safety, morals and welfare of its residents, and in accord with the public purposes and provisions of applicable state and local law and requirements; and

WHEREAS, the CIC has considered any written evidence and/or testimony received in support of or in opposition to the OPA, the Quitclaim Deed, and the Summary Report, as well as the entire record prepared by the CIC and City staff.

NOW, THEREFORE BE IT RESOLVED, by the CIC as follows:

1. That the CIC hereby finds and determines that all recitals set forth in this Resolution are true and correct and fully incorporated herein by this reference.
2. That the CIC has reviewed and approves the Summary Report.
3. That the CIC finds and determines that the consideration to be received by the CIC for the sale of the Site is not less than fair reuse value at the use and with the covenants and conditions and development costs authorized by the OPA, the Lease Option Agreement, and the Quitclaim Deed, for among other reasons, the reasons set forth in Sections III through V of the Summary Report.
4. That the CIC finds and determines that the sale of the Site will assist in the elimination of blight or provide housing for low-income or moderate-income persons, for, among other reasons, the reasons set forth in Section VI of the Summary Report.
5. That the CIC finds and determines that the sale of the Site and the development of the Site in accordance with the OPA, (including the Quitclaim Deed referenced therein), are consistent with the Implementation Plan.

6. That the CIC hereby approves the sale of the Site to the Housing Authority in accordance with the OPA and the Quitclaim Deed.

7. That the CIC hereby approves the OPA, and all exhibits thereto, and the Quitclaim Deed, using its own independent judgment.

BE IT FURTHER RESOLVED, that the CIC hereby authorizes the Acting Executive Director to enter into and execute the OPA and the Quitclaim Deed conveying the Site to the Housing Authority, subject to any minor conforming, technical or clarifying changes approved by the Acting Executive Director and CIC counsel. The Acting Executive Director is hereby further authorized and directed to take such further actions and execute such other documents as are necessary to carry out and implement the OPA and this Resolution and to administer the CIC's obligations, responsibilities and duties to be performed under the OPA and this Resolution. The Acting Executive Director and Secretary of the CIC are hereby further authorized and directed to take such further actions and execute and record such documents as are necessary to convey the Site to the Housing Authority.

* * * * *

I, the undersigned, hereby certify that the foregoing Resolution was duly and regularly adopted and passed by the Community Improvement Commission of the City of Alameda in a Special Joint Meeting of the Community Improvement Commission, the Housing Authority Board of Commissioners and the City Council on the ____ day of _____, 2011, by the following vote to wit:

AYES:

NOES:

ABSENT:

ABSTENTIONS:

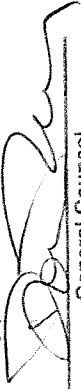
IN WITNESS, WHEREOF, I have hereunto set my hand and affixed the official seal of said Commission this ____ day of _____, 2011.

Lara Weisiger, Secretary
Community Improvement Commission

Marie Gilmore, Chair
Community Improvement Commission

HOUSING AUTHORITY OF THE CITY OF ALAMEDA

RESOLUTION NO. _____

Approved as to Form

General Counsel

AUTHORIZING THE ACTING CHIEF EXECUTIVE OFFICER TO EXECUTE (1) AN OWNER PARTICIPATION AGREEMENT AMONG THE HOUSING AUTHORITY OF THE CITY OF ALAMEDA ("HOUSING AUTHORITY"), COMMUNITY IMPROVEMENT COMMISSION OF THE CITY OF ALAMEDA ("CIC"), AND SATELLITE HOUSING, INC. ("SATELLITE HOUSING") AND HOUSING CONSORTIUM OF THE EAST BAY ("HCEB"), (2) A LEASE OPTION AGREEMENT AMONG THE HOUSING AUTHORITY, SATELLITE HOUSING AND HCEB, AND (3) TO ACCEPT A QUITCLAIM DEED FROM THE CIC FOR THE PROJECT SITE

WHEREAS, the CIC is engaged in activities necessary to carry out and implement the Community Improvement Plan for the Business and Waterfront Improvement Project (the "BWIP"); and

WHEREAS, the CIC has adopted the five-year Implementation Plan covering Fiscal Years 2009/10-2013/14 for the BWIP (the "Implementation Plan"); and

WHEREAS, the CIC owns certain real property within the City of Alameda, commonly known as 2216 Lincoln Avenue (the "Site"), which is outside the BWIP; and

WHEREAS, the Implementation Plan identified specific affordable housing projects to be developed over the next five (5) years, including development of a 19-unit multifamily affordable rental housing on the Site; and

WHEREAS, on September 15, 2010, the Housing Commission selected Satellite Housing, Inc. ("Satellite Housing"), and Housing Consortium of the East Bay ("HCEB") as the co-developers of the Project (as defined below); and

WHEREAS, CIC staff has negotiated an Owner Participation Agreement ("OPA") with the Housing Authority, Satellite Housing, and HCEB, wherein Satellite Housing and HCEB (jointly, "Affordable Housing Developer") has agreed to develop, construct and operate a 19-unit multifamily affordable rental housing (the "Project") on the Site, comprised of eighteen (18) units for very-low income residents and one (1) unit for a moderate income, resident manager; and

WHEREAS, the OPA contemplates the CIC's disposition of the Site to the Housing Authority by quitclaim deed (the "Quitclaim Deed") and the Housing

Authority entering into a ground lease with Affordable Housing Developer to facilitate development and operation of the Project on the Site; and

WHEREAS, Housing Authority staff has negotiated a lease option agreement (the "Lease Option Agreement") with Affordable Housing Developer, which, among other things, grants an option for a 75 year lease of the Site for development and operation of the Project on the Site; and

WHEREAS, pursuant to California Environmental Quality Act (CEQA), the City, as the lead agency has undertaken the required analysis of the environmental impacts of this project and based on its independent judgment and based on substantial evidence in the record, finds the project to be exempt from CEQA pursuant to California Public Resources Code Sections 21159.21, 21159.23 (exemption for affordable housing) and 21159.24 (exemption for infill affordable housing) , as well as CEQA Guideline section 15332 (infill development projects). Furthermore, the project does not trigger any of the exceptions in CEQA Guidelines section 15300.2 in that the project will not have any significant effects due to unusual circumstances or any cumulatively significant impacts and will not adversely impact any designated historic resources.

WHEREAS, on January 18, 2011, the CIC authorized use of BWIP Housing Funds in an amount not to exceed \$1,400,000. The funds will be provided to Affordable Housing Developer in the form of a non-recourse deferred loan secured by a deed of trust for a period of 59 years at 3% interest. The CIC further authorized the Executive Director or his or her designee to execute the necessary documents related to the transaction; and

WHEREAS, the purpose of the OPA is to address the development of the Project and the development of the Project is in furtherance of and consistent with the Implementation Plan; and

WHEREAS, to facilitate development of the Project on the Site it is necessary for the Housing Authority to accept conveyance of the Quitclaim Deed from the CIC; and

WHEREAS, on January 18, 2011, the CIC, the City Council of the City of Alameda, and the Housing Authority Board of Commissioners held a joint public hearing to consider the approval of the OPA, (including the Quitclaim Deed referenced therein), the Lease Option Agreement", and related documents, after publishing notice of the public hearing as required by law, and heard all interested persons expressing a desire to comment thereon or object thereto, and considered the OPA, Quitclaim Deed, Lease Option Agreement, and related documents; and

NOW, THEREFORE, BE IT RESOLVED, that the Board of Commissioners hereby approves the OPA, and all exhibits thereto, the

Quitclaim Deed, and the Lease Option Agreement, using its own independent judgment.

BE IT FURTHER RESOLVED, that the Board of Commissioners hereby authorizes the Acting Chief Executive Officer to enter into the OPA and the Lease Option Agreement (both on file in the Office of the City Clerk and in the Housing Authority's public reference binder) substantially in the form and containing the terms and conditions and covenants as set out in the OPA and Lease Option Agreement subject to any minor conforming, technical or clarifying changes approved by the Acting Chief Executive Officer and Housing Authority counsel. The Acting Chief Executive Officer is hereby further authorized and directed to take such further actions and execute such other documents as are necessary to carry out and implement the OPA and the Lease Option Agreement and to administer the Housing Authority's obligations, responsibilities and duties to be performed under the OPA and Lease Option Agreement, including execution of the 75 year lease contemplated therein. The Acting Chief Executive Officer and Secretary of the Housing Authority are hereby further authorized and directed to take such further actions and execute and record such documents as are necessary to accept the Quitclaim Deed of the Site from the CIC.

* * * * *

ATTEST:

Michael T. Pucci
Executive Director/Secretary


Marie Gilmore, Chair
Board of Commissioners

Adopted:

Date:

COMMUNITY IMPROVEMENT COMMISSION
OF THE CITY OF ALAMEDA RESOLUTION NO. 11-_____

APPROVING THE USE OF HOUSING FUNDS TO PAY A PORTION OF THE COSTS OF DEVELOPMENT OF A 19-UNIT AFFORDABLE RENTAL PROJECT WITHIN THE CITY OF ALAMEDA ON CERTAIN PROPERTY COMMONLY KNOWN AS 2216 LINCOLN AVENUE

Approved as to Form

General Counsel

WHEREAS, in accordance with the Community Redevelopment Law of the State of California (Health and Safety Code Section 33000 *et seq.*) ("Redevelopment Law"), the City Council adopted Ordinance No. 2559 on June 18, 1991, approving and adopting the Community Improvement Plan, as subsequently amended on December 6, 1994 by Ordinance No. 2681 (First Amendment), on June 6, 2000 by Ordinance No. 2835 (Second Amendment), on September 19, 2000 by Ordinance No. 2844 (Third Amendment), on April 17, 2001 by Ordinance No. 2857 (Fourth Amendment), on April 1, 2003 by Ordinance No. 2896 (Fifth Amendment), on November 4, 2003 by Ordinance No. 2910 (Sixth Amendment), on January 2, 2006 by Ordinance No. 2956 (Seventh Amendment), on February 20, 2007 by Ordinance No. 2963 (Eighth Amendment), and on July 21, 2009 by Ordinance No. 2999 (Ninth Amendment), for the Business and Waterfront Improvement Project (the "BWIP"); and

WHEREAS, the property subject to the Community Improvement Plan is referred to herein as the "Project Area"; and

WHEREAS, the Commission adopted Resolution No. 10-167 on June 15, 2010, approving and adopting the "Implementation Plan, Fiscal Years 2009/10-2013/14, Alameda Redevelopment Project Areas: Business and Waterfront Improvement Project & West End Community Improvement Project", dated March 2010 (the "Implementation Plan"); and

WHEREAS, the Implementation Plan identified specific affordable housing projects to be developed over the next five (5) years in the Project Area, which includes development of a 19-unit multifamily affordable rental housing on property located in the City of Alameda, commonly known as 2216 Lincoln Avenue (the "Property"), which the Implementation Plan identified as located outside the Project Area; and

WHEREAS, Section 33334.2(a) of the Redevelopment Law requires that not less than twenty percent (20%) of all taxes allocated to a redevelopment agency from a redevelopment project ("Housing Funds") be used for the purpose of increasing, improving, and preserving the community's supply of low- and moderate-income housing at affordable costs; and

WHEREAS, Section 33334.2(g) of the Redevelopment Law provides that the Commission may use Housing Funds outside a project area if a finding is

made by resolution of the Commission and the City Council that such use will be of benefit to the project; and

WHEREAS, the City adopted Resolution No. 13578 on May 6, 2003, approving the use of Housing Funds from the Project Area "for the purpose of increasing, improving and preserving the community's supply of low- and moderate-income housing available at affordable housing cost outside the Project Area will be of benefit to the [BWIP]"; and

WHEREAS, the Commission adopted Resolution No. 03-112 on April 7, 2003, approving the use of Housing Funds from the Project Area outside the BWIP will be for the benefit of the BWIP; and

WHEREAS, the Commission has been designated as the official redevelopment agency to carry out in the City of Alameda the functions and requirements of Redevelopment Law and to implement the Community Improvement Plan and Implementation Plan; and

WHEREAS, Section 33071 of the Redevelopment Law declares that a fundamental purpose of redevelopment is to expand the supply of low- and moderate-income housing; and

WHEREAS, the Commission desires to provide for the construction of a 19-unit affordable rental project on the Property; and

WHEREAS, pursuant to California Environmental Quality Act (CEQA), the City, as the lead agency has undertaken the required analysis of the environmental impacts of this project and based on its independent judgment and based on substantial evidence in the record, the City finds the project to be exempt from CEQA pursuant to California Public Resources Code Sections 21159.21, 21159.23 (exemption for affordable housing) and 21159.24 (exemption for infill affordable housing), as well as CEQA Guidelines Section 15332 (infill development projects). Furthermore, the project does not trigger any of the exceptions in CEQA Guidelines section 15300.2 in that the project will not have any significant effects due to unusual circumstances or any cumulatively significant impacts and will not adversely impact any designated historic resources.

NOW, THEREFORE BE IT RESOLVED, that the Commission hereby authorizes use of Housing Funds from the Project Area in an amount not to exceed One Million Four Hundred Thousand Dollars (\$1,400,000) that will be provided to a nonprofit affordable housing developer to be used solely for development of the 19-unit affordable rental housing project on the Property. Other funding that is committed to the project may reduce the Commission's funding obligation for the 19-unit project accordingly.

BE IT FURTHER RESOLVED, that the Commission hereby authorizes the Acting Executive Director or her designee to take such further actions and execute and such necessary documents related to this loan transaction.

* * * * *

I, the undersigned, hereby certify that the foregoing Resolution was duly and regularly adopted and passed by the Community Improvement Commission of the City of Alameda in a Special Joint Meeting of the Community Improvement Commission, the Housing Authority Board of Commissioners and the City Council on the 18th day of January, 2011, by the following vote to wit:

AYES:

NOES:

ABSENT:

ABSTENTIONS:

IN WITNESS, WHEREOF, I have hereunto set my hand and affixed the official seal of said Commission this 19th day of January, 2011.

Lara Weisiger, Secretary
Community Improvement Commission

Marie Gilmore, Chair
Community Improvement Commission